

Message Text

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21

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 DODE-00 PM-03 H-02 L-03 PA-02 PRS-01 /104 W

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R 312104Z AUG 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 7153

UNCLAS OTTAWA 2891

EO 11652 NA

TAGS EFIN CA

SUBJ ECONOMIC FORECASTING

REFS A) STATE 180524, A. OTTAWA 1568, C) STATE 95313

1. INDEX OF INDUSTRIAL PRODUCTION HAS HAD STEADILY DECLINING TREND SINCE MARCH 1974. LATEST FIGURES AVAILABLE FOR MAY SHOWED 0.5 PERCENT DECREASE FROM APRIL FIGURE (208.9 FROM 210.0 WITH 1961 AS BASE YEAR OF 100).

2. REAL DOMESTIC PRODUCT INDEX FOR MAY WAS UNCHANGED FROM THAT OF APRIL (210.8), BUT THIS LARGELY RESULT OF RISE IN WHOLESALE AND RETAIL TRADE DUE TO TAX REBATES, INCREASED WAGE SETTLEMENT CONTRACTS AND COST OF LIVING ADJUSTMENTS. FORESTRY, MINING AND MANUFACTURING INDICES WERE DOWN 17.2 PERCENT, 1.8 PERCENT AND 0.2 PERCENT, RESPECTIVELY.

3. ANALYSTS HERE BELIEVE RECESSION HAS ALMOST BOTTOMED OUT AND GNP WILL RECOMMENCE GROWTH IN LAST SIX MONTHS OF 1975. ESTIMATES VARY FROM 0 PERCENT REAL GROWTH FOR ALL OF YEAR TO ABOUT 1.0 PERCENT, RESULTING FROM 3.0 TO 5.0 PERCENT GROWTH IN SECOND HALF.

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4. MITIGATING FACTORS AGAINST RESUMPTION OF REAL GROWTH

OR AT LEAST KEEPING GROWTH TO MOST PESSIMISTIC LEVELS
AREA: A) CONTINUED STRIKES IN FORESTRY INDUSTRY, B)
POSSIBILITY OF WORK STOPPAGES IN OTHER INDUSTRIES SINCE
300 OF 500 MAJOR CONTRACTS STILL TO BE SETTLED, C)
PROBABLE RETURN TO DOUBLE-DIGIT INFLATION RATES WITH
FOOD PRICES LEADING UPTURN (JUNE CPI ROSE 1.5 PERCENT),
D) CONTINUED TRADE DEFICITS, E) HIGH MANUFACTURERS
INVENTORIES (WHICH ACTUALLY ROSE BY 0.3 PERCENT IN MAY),
F) HIGHER ENERGY COSTS, G) LOW MINERAL (OTHER THAN
PETROLEUM AND GAS) PRICES KEEPING MINING ACTIVITY AT
REDUCED LEVELS, AND H) LAG IN U.S. AND OTHER INDUSTRIAL
COUNTRIES ECONOMIC UPTURN.

5. ASSUMING MAY WAS LOW POINT OF 1975 FOR INDEX OF
INDUSTRIAL PRODUCTION, EMBASSY WOULD ESTIMATE INDEX TO
BE AS FOLLOWS:

1975	3RD QUARTER	210
	4TH QUARTER	212
1976	1ST QUARTER	215
	2ND QUARTER	220.

6. ESTIMATES ABOVE MUST ALLOW FOR LARGE DEGREE OF ERROR
BECAUSE OF FACTORS LISTED PARA. 4 AND BECAUSE OF CANADA'S
CLOSE ECONOMIC TIES WITH U.S. SHOULD U.S. ECONOMY
EXPAND RAPIDLY WITH CONCOMMITANT DEMAND FOR CANADIAN
RAW MATERIALS, SEMI AND FINISHED GOODS, INDEX OF
PRODUCTION COULD CLIMB MORE RAPIDLY TO MARCH 1974
LEVEL OF OVER 220.
PORTER

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